
The IR Journal

GAO Independence Standard Being Studied

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Comptroller General Seeks Input on Revised Independence Standard

There's not a more important initiative ongoing in the government audit community right now than the preliminary draft of the independence standard being circulated by the Comptroller General. The proposed standard is based on the AICPA independence standard and significantly changes organizational impairment criteria. As currently drafted, neither the service audit organizations nor internal review would be considered independent. IR offices would have to qualify all reports issued because they would not be considered organizationally independent. At the very least, all reports would have to identify the fact that the auditors performing the report belong to the organization being audited.

It is this office's considered opinion that the revised AICPA language fails to appreciate organizational structures within the federal government environment. It also fails to acknowledge merit system protections afforded federal employees that are not available in the private sector. Finally, it fails to address a need. Why is it necessary to revise the standard? Have there been widespread problems?

We forwarded GAO's Preliminary View to the IR community (via MACOMs) seeking your thoughts. We received an extremely limited number of responses.

We put together a response for the IR community and forwarded it to The Auditor General for coordination. Subsequently, we combined our response with the one developed by the Army Audit Agency. The combined response will be signed by The Auditor General and forwarded to the Comptroller General.

We will forward a copy of the Army's response and any additional information to the IR community upon receipt.

"If you want to achieve excellence, you can get there today. As of this second, quit doing less-than-excellent work."

--- Thomas Watson

Changes at SAFM-FOI

Realignment in Financial Operations. Several years ago, Financial Operations (SAFM-FOI) had one of its GS-15s “drafted” for a long-term project. As a result, two existing directorates were combined into the Directorate for Financial Reporting and Internal Review. Since then, the range of functions and programs in this larger directorate has often challenged our management capabilities. With the return of his “drafted” GS-15 position, **Mr. Ernie Gregory**, DASA-FO, divided this large directorate into two elements:

- The Directorate for Financial Reporting will focus on efforts related to Army financial statements and Army implementation of the CFO Act. **Ms. Margo Sheridan** was selected as the Director and comes on board officially on 2 July.
- The **Directorate for Management Services and Internal Review** will focus on the Army Internal Review Program and support functions like management control, travel card and external audit liaison for ASA(FM&C). **Mr. Bill Harris** has moved over as the Director. Mr. Gregory selected the directorate’s name to ensure that “Internal Review” remained visible at HQDA.

"One can acquire everything in solitude except character."

-Stendhal

IR Steering Group to Meet

The IR Steering Group will meet on 18 and 19 August 2000, at the Camelback Inn, Scottsdale, Arizona. This meeting will be just prior to the Annual IR Training Symposium. Please forward issues you'd like discussed to your IRSG representative.

Current IRSG members are:

Mr. John Templeton – USACE - Chairman
 Mr. Archie Ford – AMC
 Mr. Bill Whanger – USAREUR&7th Army
 Mr. Frank Bono – OCAR
 Mr. Walt Morrison – NGB
 Mr. Rohm Thompson – MEDCOM
 Mr. Bill Check – CFSC
 Mr. Frank Slayton – TRADOC
 Mr. Dennis Joe – FORSCOM
 Mr. Gary Kim - USARPAC
 Ms. Barbara Adcox – XVIII Airborne Corps & Ft Bragg -At-Large
 Mr. Ted Wendell – USMA – At-Large
 Mr. George Sullivan – USASOC – At-Large

"Advice is what we ask for when we already know the answer but wish we didn't."

-- Erica Jong

True or False?

(Answer on Page 10)

The bagpipe, long considered the national instrument of Scotland, originated in the middle-east.
True or false?

"It is important that students bring a certain ragamuffin, barefoot, irreverence to their studies; they are not here to worship what is known, but to question it."

-Jacob Chanowski

Wall Street Journal
April 26, 2000
Pg. 1

What's Your Point, Lieutenant? Please, Just Cut To The Pie Charts

By Greg Jaffe, Staff Reporter of The Wall Street Journal

WASHINGTON -- Earlier this year, Gen. Hugh Shelton, chairman of the Joint Chiefs of Staff, issued an unusual order to U.S. military bases around the globe.

His message: enough with the bells and whistles -- just get to the point.

It seems that e-mailed military briefings larded with electronic "slides" of booming tanks and spinning pie charts were gobbling up so much of the Defense Department's classified bandwidth that they were slowing more-critical communications between headquarters and units in the field.

Information, Please

"The chairman basically told everyone that we don't need Venetian-blind effects or fancy backdrops. All we need is the information," says one senior Defense Department official. Gen. Shelton's order is only the Pentagon's most recent assault on a growing electronic menace: the PowerPoint briefing. Sure, business executives complain about the seemingly endless PowerPoint presentations put on by overeager middle managers in darkened boardrooms across America. But in the military, the Microsoft program, which helps users create computer-based graphics and sound effects, has become one of the most dreaded facts of life. And it's even shouldering the blame for at least some of the armed forces' ills.

Congressional support for new weapons programs isn't as strong as expected? Army Secretary Louis Caldera suggests that PowerPoint presentations are alienating lawmakers. "People are not listening to us, because they are spending so much time trying to understand these incredibly complex slides," he says.

Too many bright, young junior officers are leaving the military for the private sector? A recent survey of captains at Fort Benning, Ga., cites the "ubiquity of the PowerPoint Army" as a prime reason for their disaffection.

"The idea behind most of these briefings is for us to sit through 100 slides with our eyes glazed over, and then to do what all military organizations hope for ... to surrender to an overwhelming mass," says Navy Secretary Richard Danzig.

Old-fashioned slide briefings, designed to update generals on troop movements, have been a staple of the military since World War II. But in only a few short years PowerPoint has altered the landscape. Just as word processing made it easier to produce long, meandering memos, the spread of PowerPoint has unleashed a blizzard of jazzy but often incoherent visuals. Instead of drawing up a dozen slides on a legal pad and running them over to the graphics department, captains and colonels now can create hundreds of slides in a few hours without ever leaving their desks. If the spirit moves them they can build in gunfire sound effects and images that explode like land mines.

"There is an arms-race dimension to it," says Peter Feaver, a military expert at Duke University and frequent PowerPoint briefer at various war colleges. "If there are three briefings in a row, and you are the one with the lowest production values, you look really lame."

PowerPoint has become such an ingrained part of the defense culture that it has seeped into the military lexicon. "PowerPoint Ranger" is a derogatory term for a desk-bound bureaucrat more adept at making slides than tossing grenades. There is even a "PowerPoint Ranger Creed," a parody of the Marine Corp's famous "Rifleman's Creed":

"This is my PowerPoint. There are many like it, but mine is [PowerPoint] 97 ... I will learn it as a brother. I will learn its weaknesses, its fonts, its accessories and its formats ... My PowerPoint and myself are the defenders of my country. We are the masters of our subject. We are the saviors of my career." The parody is zapping around the Defense Department as a PowerPoint slide complete with the sound of explosions and featuring an animated John Wayne in Army Ranger garb wielding a laser pointer.

How did a piece of technology that was supposed to improve communication become a barrier to it?

Some military sociologists say the endless presentations are a product of the military's zero-defect culture, in which one mediocre review by a superior can torpedo a career. "Young officers are worried that they might leave something out of their briefing, and a supervisor might say something about it. So they pack their presentations with every detail that they can think off," says Charles Moskos, a military-culture expert at Northwestern University, Evanston, Ill.

Others blame the problem on the absence of a formidable enemy. "We crave something that explains who we are," says Ret. Army Col. Henry G. Cole. "The PowerPoint game creates the illusion of control. All those moving arrows and graphics become reality for a military that is trapped in this permanent state of shadow-boxing an enemy that no longer exists."

Frontal Assault

Whatever the cause, a handful of senior Pentagon officials have decided to attack the PowerPoint problem head-on. The Navy's Mr. Danzig announced late last year that he was no longer willing to soldier through the slide shows. He maintains that PowerPoint briefings are only necessary for two reasons: If field conditions are changing rapidly or if the audience is "functionally illiterate." "In the Pentagon the second seems to be the underlying presumption," grouses Mr. Danzig, who now asks to get all his briefings in written form.

Mr. Danzig's Army counterpart, Mr. Caldera, says he, too, would ban the presentations if he thought he could get away with it. "For some of these guys, taking away their PowerPoint would be like cutting off their hands," he says. Mr. Caldera's strategy is to interrupt the show with questions when he gets bored.

Despite such countermeasures, PowerPoint is showing no signs of retreat. Indeed, it seems to be spreading. James A. Calpin, an officer in the Naval Reserves, just returned home from duty in Operation Northern Watch in Turkey, where PowerPoint has just begun to surface in officer

presentations. "I was able to come in and spruce up their briefings, and they were just wowed. People over there just loved it," he says.

A Required Language

Foreign armed services also are beginning to get in on the act. "You can't speak with the U.S. military without knowing PowerPoint," says Margaret Hayes, an instructor at National Defense University in Washington D.C., who teaches Latin American military officers how to use the software.

Unfortunately, Ms. Hayes admits many foreign officers, including those fluent in PowerPoint visuals, still struggle to understand their U.S. counterparts' complicated slide presentations. "We've gotten away from inviting our colleagues from the Department of Defense to brief our visiting officers. Some of their presentations are a little bit too complex and too inhibiting," she says.

All of which makes Duke University's Mr. Feaver wonder if the U.S. military is misusing the technology. "If we really wanted to accomplish something we shouldn't be teaching our allies how to use PowerPoint," he says. "We should give it to the Iraqis. We'd never have to worry about them again."

Don't think of it as being outnumbered, think of it as a wide target selection.

-- Anonymous

New Website for Federal Employees

Washington, DC -- A brand new website launches today that will allow federal employees to find all of their pay and benefits information in one place. In addition to everything you will need to know about such areas as pay, retirement, leave, health and life insurance, travel, and employment, www.fedamerica.com has 12 FREE handbooks available for downloading, printing and online viewing.

The 12 FREE Handbooks include:

- CSRS and FERS Retirement Guide
- 2000 Federal Employees Health Benefits (FEHB) Handbook
- Federal Employees Group Life Insurance (FEGLI) Handbook
- Tax Retirement Planning Guide
- Pay Manual
- People with Disabilities in the Federal Government
- Competing for Federal Jobs
- Career Transition Handbook
- FEHB and Medicare Handbook
- TRICARE Handbook
- Veterans' Guide to Employment in the Federal Government
- Guide to Dealing with Workplace Violence

On www.fedamerica.com, Feds can also sign up for two free email newsletters. FEDtechnology helps federal managers and employees stay ahead of all the latest changes and trends taking place in the federal government. FEDreport updates federal employees on changes to their pay and benefits and other information that affects their lives, both professionally and personally.

This web site is designed to save every federal employee time and money. New features and information will be continuously added to always serve the needs of all federal employees. All of this is FREE -- and in one place.

Visit [fedamerica.com](http://www.fedamerica.com) today -- It's Where Feds Go First! <http://www.fedamerica.com>

"I can accept failure. Everyone fails at something. But I cannot accept not trying."

-Michael Jordan

What is This Thing Called a Computer Virus?

by Mr. Archie Ford, IR Director, AMC

A computer virus is a program or software code designed to replicate and spread, generally with the victim being unaware of its existence. Computer viruses come from a variety of sources and spread by attaching themselves to other programs or to the boot sector of a disk. When the infected file is activated or executed, or when the computer is started from an infected disk, the virus is also activated. Viruses can hide themselves in a computer's memory, waiting to infect the next program that is activated. These viruses tend to slow the computer's performance, changes screen displays, absorb the computer's resources, and ultimately deny or disrupt services to the extent that it renders a command unable to accomplish its mission.

Every Army activity has experienced a virus infection. Many deal with virus attacks monthly, if not daily. It is predicted that the frequency of attacks will more than double in the coming years. The viruses are also growing in variety and complexity. According to the Symantec Corporation, in 1986, there were just four known PC viruses. In today's computing environment, more than three viruses are created each day.

Computer viruses have cost companies around the world, nearly \$2 billion since 1990.
[Maybe this is an area for IRAC offices to generate some ROI ??]

What can IRAC auditors do for their commanders?

- Evaluate the command's computer risk (inherent, control, and detection).
- Evaluate areas considered the most sensitive, so that resources can be directed and apportioned accordingly to protect these areas.
- Recommend training for system controllers in the latest information concerning viruses.
- Ensure that the command is using the latest virus detecting software packages.

- This could be far reaching but some companies have hired the services of hackers to test the security of their own systems. This serves a two-fold purpose of providing a positive activity for these individuals and uncovering weaknesses of protecting systems.

Our command's critical systems are driven by, and linked together with, computers, making them more vulnerable to disruption. As a very minimum level of effort, IR auditors should recommend the establishment of an education and awareness program of the increasing need for information security and information ethics.

"A verbal contract isn't worth the paper it's written on."

-Samual Goldwyn

Training Corner

by Ms. Michelle Doyle

FY00 Auditor Training

- **IR Chief's Course**, 11-15 September 2000, Ops Center, Alexandria, VA**

** Class is full, not accepting applications.

- **Audit Leadership Course**, 13-17 November 2000, Chiemsee, Germany
- **Fraud Course**, 13-17 November 2000, Hawaii

NGB Regional Training

During March 2000, the National Guard Bureau Internal Review Directorate NGB-IR provided training for National Guard auditors in Nashville, TN. Two of those attending were **Mr. Carl P. Swain** of West Virginia and **Mr. Howard Larsen** of Minnesota. Training was provided on a number of topics but the most important training subject, and one for which the most time was allocated, concerned audit report preparation and the development of findings and recommendations. As part of this training block, students were required to analyze a scenario and draft the finding and recommendations of a report.

Mr. Swain and Mr. Larsen excelled in this analysis and writing exercise. As a matter of fact, the two auditors produced the best reports of all those attending. This action speaks very favorably of Mr. Swain and Mr. Larsen's ability to learn and to put that learning into practice. **Mr. Walter Morrison**, Director of NGB Internal Review congratulated Mr. Swain and Mr. Larsen, and sent a letter to The Adjutants General, West Virginia and Minnesota extolling this significant accomplishment. Outstanding personnel like Mr. Swain and Mr. Larsen reflect great credit on their states.

NGB “Back to Basics” Training

The NGB-IR Directorate presented the third regional auditor training course 28-30 March 2000, in Nashville, Tennessee, hosted by **Mr. John D. Bridgers**, Supervisory Auditor for the Tennessee National Guard. There were 53 students in attendance. NGB-IR has provided “Back to the Basics” auditor training to 131 students to date.

From July 25-27, 2000, NGB-IR will continue their training program in Pittsburgh, Pennsylvania, where **Mr. John Wise**, Supervisory Auditor for the Pennsylvania National Guard, will serve as the host.

"The harder the conflict, the more glorious the triumph. What we obtain too cheap, we esteem too lightly; it is dearness only that gives everything its value. I love the man that can smile in trouble, that can gather strength from distress and grow brave by reflection. 'Tis the business of little minds to shrink; but he whose heart is firm, and whose conscience approves his conduct, will pursue his principles unto death."

-Thomas Paine

New Award for NG IR Supervisors

Starting this year the National Guard Bureau Internal Review Directorate will present an annual Supervisory Auditor of the Year Award in addition to their Auditor of the Year Award. This new award will acknowledge outstanding contributions made by IR chiefs. The award will recognize accomplishments from 1 January 1999 through 31 December 1999. An independent panel recently reviewed nominations and selected this year's winner. Recipients will receive commemorative plaques.

"If a train station is where the train stops, what's a work station...?"

- - Anonymous

AUDITING DOWN RANGE IN BOSNIA

By Len Maguire, Auditor, Community Family Support Center

What I thought would be a quick trip to audit the operations of the Army Recreation Machine Program (ARMP), Bosnia Satellite Office, turned out to be one of the more arduous audit trips I had ever undertaken. I was not unfamiliar with auditing in what could be called hostile environments. I had spent time in Vietnam and went through both the Tet Offensive and, later in my career, forced evacuation when the country fell to the communists. However, I have never had so much trouble getting to and getting back from an audit assignment as my trip to Bosnia. First, just getting there became a real exercise. I had to arrange for and undergo an all

day briefing. This required me drive three and one half hours one way to Stuttgart, Germany for the briefing. Without the briefing, and the certificate proving my attendance, I would not be allowed into Bosnia on official Stabilization Forces (SFOR) business. When they sent me to audit in Vietnam I just hopped on a plane. Of course there were auditors to greet me when I arrived whereas in Bosnia I was on my own. Also, before I could leave I had to obtain a Kevlar helmet and flak jacket. This required me to drive two hours one way to the nearest Central Issue Facility in Bad Aibling, Germany. When I was ready to leave I had to drive six hours to Ramstien, Germany. After a half a day waiting around I got on a C130 for the flight to Tuzla, Bosnia.

Actually the audit work itself was routine and the staff of the ARMP satellite office had everything squared away. However, my visits to the video amusement game sites for observations, inventories and cash counts became quite a journey in it self. The ARMP cash collector, the office manager and myself along with an Army Air Force Exchange Service (AAFES) Bosnian representative headed to Sarajevo in an old VW station wagon. Well as you can imagine the country looked like it had gone through a war. The roads were very bad and we had to go over the mountains. Would you believe we were hit by a rockslide? Luckily the bigger boulders missed us and the vehicle had only minor damage.

In Sarajevo I came to realize the importance of ARMP's amusement game program in supporting the SFOR troops stationed in Bosnia. For example, the German Army detachment had had a series of suicides among their troops. They asked the troops how morale could be improved and one of the major things they wanted was American video games. ARMP was asked to set up an amusement game room in their club. Morale has improved dramatically and it has been a financial success for the Army MWR program.

On our return trip from Sarajevo to Eagle Base in Tuzla we ran into a snowstorm. The storm broke records with over three feet of snow in the next couple of days. It took us three hours to go to Sarajevo and six hours to get back. I visited game sites at the various Camps in Bosnia. Accommodations were Spartan. I had to sleep in a twelve man barracks or ARMP's Conex container facility. I had to walk 100 yards in the snow to get to the showers and toilet. I had been there only three days and I was ready to go home.

Because of the snowstorm, flights were being cancelled. I would go to the airport in the morning wait in three different lines (ticket, baggage, clearance) to get on the scheduled flight then come back in the afternoon to find the flight was cancelled. This went on for two days and the airport was getting packed with soldiers on emergency leave, transfer or pass waiting for a flight out. We were given a choice of continuing to wait or getting on a bus. Five buses left the next day and I was on one of them. Because of the traffic and people on the narrow two lane roads our speed never got over 20 miles an hour in Bosnia and Croatia. We changed buses in Tazar, Hungary.

The soldiers were allowed to drink beer in Hungary, something they had not been allowed to do when stationed in Bosnia. As you can guess, a lot of them made a beeline for the local club when they got off the bus, me included. Some of the troops decided to buy a case of beer to bring on to the bus. A young lieutenant, who was in charge of the bus they were on, came into the club. He said that it was against regulations to bring alcoholic beverages on a bus that had weapons and ammunition. They started complaining they had already paid for it. He said he would reimburse them and then shouted, "Free beer for everybody!" As I drank my free beer I contemplated that this young man will someday probably be a General. It took over 30 hours to get from Tuzla, Bosnia to Frankfurt, Germany. We got off at Rhien Main air base. I had to take a

two-hour ride to pick up my car at Ramstien air base for my final six-hour trip back to Garmisch-Partenkirchen, Germany.

In conclusion, I would like to say that I did enjoy meeting and living with the troops in Bosnia. They are a great group of people, with a lot of class and we can be proud of them. I have now a greater appreciation for what our soldiers have to put up with day-to-day when stationed "downrange". Although there is no active war going on, there are significant hardships faced by the troops. We need to do everything in our power to make life better for the soldiers who are deployed on "peacekeeping missions".

"When all men think alike, no one thinks very much."

-Walter Lippmann

PUZZLES WE'VE SEEN

Decipher the hidden meaning in this set of letters -

**PERSON
PERSONS
PERSONS
PERSONS**

*Answer to March's Puzzle -
Start of something big.*

True or False

(Answer from Page 3)

True!

"It is unfair to hold the Scots responsible for the bagpipe. It is a very ancient instrument – as old as ancient Persia – which was introduced into the British Isles by the Romans. While it is considered to be the national instrument of Scotland, historically it is hardly more Scottish than Irish. Surprisingly enough, some form of the bagpipe is found in Spain, Italy, France, the Balkans, and even in Scandinavia.

Properly the name of the instrument is singular – not "bagpipes." It is true that each bagpipe consists of five pipes; the intake pipe, through which the player's breath enters the bag; the pipe on which the performer plays the melody; and three drone pipes, to provide a bass background."

(Source: [The Dictionary of Misinformation](#), Tom Burnam, Crowell, NY,NY)

"A jury consists of twelve people who determine which client has the better lawyer."

- Robert Frost

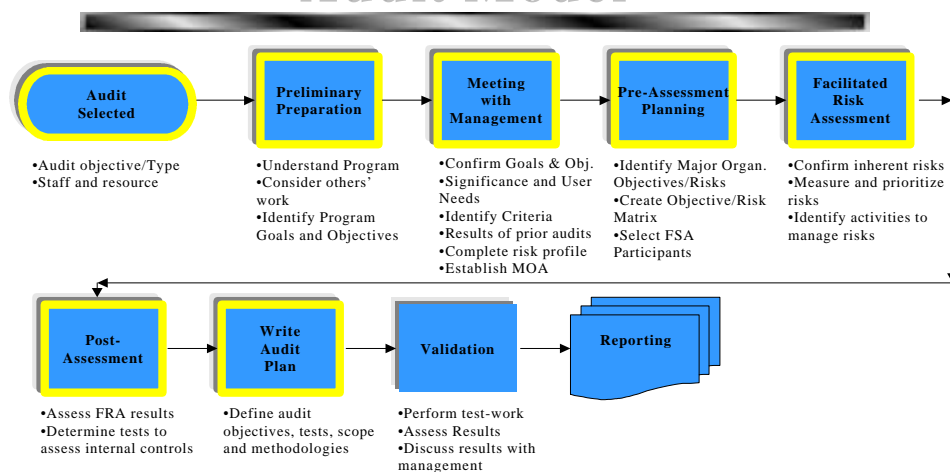
Auditing Is Risky Business

by Mr. Tim Gariboldi, Chief IR, Vermont National Guard

Auditing is risky business, or maybe it should be! The survival of your organization may depend on it, at the very least, whether you achieve mission success. If you're looking for ways to provide broader audit coverage with the few precious resources you have, you may want to consider adding Facilitated Risk Assessment to your auditing toolbox. Facilitated Risk Assessment (FRA) is an enhanced version of Control Self-Assessment (CSA) used during the planning phase of an audit to focus efforts on areas significant to the goals and objectives of the organization. There's no magic formula or sophisticated mathematical modeling technique needed to effectively apply risk assessment during the course of your audit engagements. FRA incorporates the principles of CSA; makes explicit use of risk assessment; and use facilitated workshops to gather information to identify and measure risks. In my own search to improve the services I provide my command I stumbled across a few tricks and tools, and over the past year developed a model that has provided me with results I believe warrant sharing with you.

This model consists of a seven-step process primarily focused on the planning phase of

Audit Model



the audit. The purpose of this model is to provide a path to link the audit tests and objectives to the goals and objectives of the organization. Creating this link will ensure your audit efforts; are focused on the areas significant to the organization, that you identify and measure the relevant risks of the organization, and that you evaluate the actions taken by management to mitigate those risks.

There's nothing revolutionary about the first two steps of the model. The audit is selected, typically by either a request from command/management or based on an organizational assessment and included as part of the office's long or short- range plan. Next, preliminary research is done to gain an understanding of the program and identify program goals and objectives. All audit engagements begin with an objective. Whether they are performance, financial or other services, and whether they are formal, quick response or consulting and advisory type engagements. The objective(s) define the type of audit to be conducted and information obtained during the planning phase will refine those objectives and identify the scope and methodology that's applied.

Step three of this model is where a focus on risk essentially begins. A meeting with management early on in the planning phase of the audit will produce valuable risk information, as well as, early indicators of the adequacy and effectiveness of the management control system. During this meeting the auditor should, at a minimum, address the following areas:

- Confirm Goals and Objectives:

- The initial meeting with the manager is an opportune time to ask them about the most important objectives of the operation and the major threats or risks to achieving the objectives.
- In discussing risk with managers, the auditor may need to explain risk concepts, particularly inherent risk, without factoring in control procedures to manage risks.

- Significance and User Needs:

- Visibility and sensitivity of the program under audit
- Newness of the program or changes in its conditions
- Role of the audit in providing information that can improve accountability and decision-making, and
- Level and extent of review or other forms of independent oversight.

- Identify Criteria:

- During the meeting with management, the auditor/auditee should agree upon the criteria to be used to determine whether the program meets or exceeds expectations.

- Results of Prior Audits:

- Auditors should discuss resolution of prior audit findings and recommendations with management to determine whether timely and appropriate corrective actions have been taken by management.

- Complete Risk Profile:

- Obtain management's perception of the significant risks to the activity. Examples of questions to ask the audit customer include:

- ◆ What are the most important objectives?
- ◆ What objectives need to be met to be successful?
- ◆ What assets, information and processes are critical to the objectives?
- ◆ What are the highest risk areas or greatest threats?
- ◆ What are you most concerned about?

- Establish MOA:

- The auditor and management should reach an understanding concerning the objectives and nature of the services to be performed; the criteria to be used during the audit; and other information relevant to the performance of the audit.

In step four, armed with this essential information obtained in step three above, the auditor is prepared to link program goals and objectives with the major organizational goals and objectives; identify the inherent risks to the program and organization; and generate a risk matrix for use during the facilitated workshop. A risk matrix listing the objectives of the program, and the risks relevant to those objectives will provide a starting point during the workshop to guide participants in the assessment process.

The Generally Accepted Government Audit Standards parallel the major organizational objectives of any organization as defined in the GAO Standards for Internal Control in the Federal Government. The four primary objectives as defined in internal control standards are Efficiency and Effectiveness of operations, Compliance with laws and regulations, Reliability of financial reporting, and Safeguarding of assets. Each one of these can be linked to the overall audit objective, which in turn defines the type of audit to be performed – financial, performance

or a combination thereof. The major objectives and risks for most audited activities can be classified into five categories as illustrated below:

	Assets	Operational Performance	Information Systems	Regulatory and Legal Issues	External and Internal Environment
Major Objectives	Safeguarding assets	Economical and efficient use of resources; Accomplishment of established objectives and goals; Compliance with plans, policies, and procedures	Reliability and integrity of financial and operating information	Compliance with laws and regulations, contracts	Appropriate strategies for changing conditions
Major Risks	Loss or impairment of assets	Uneconomical, inefficient, ineffective processes	Inaccurate, unreliable, untimely information	Fines/penalties due to non-compliance; adverse impact on health and safety; criminal prosecution	Adverse effect on entity; loss of funding

There are several forms of risk matrixes an auditor can use to array the objectives of the program and associated risks for an assessment. It is at this point that many auditors feel the need to apply some high-tech risk assessment-modeling technique. Contrary to this popular myth, risk assessment does not need to be that complex. Simply listing the program objectives and relative risks as shown above, will provide all the information needed to generate ideas during the assessment process. Again, the primary objective of the risk matrix is to provide participants with a starting point to measure and prioritize risks relative to the program objectives. Thereby, identifying potential areas where your audit efforts should be focused.

Auditors should work closely with management to identify FRA participants. Participants should be selected with the following criteria in mind:

- No more than 10 participants per FRA;
- Select individuals with day-to-day operating knowledge of the key processes critical to the program objectives; and
- Individuals with responsibilities at various stages of the processes.

Step five of the model is where efficiency can be gained through a facilitated workshop. An auditor, who is a skilled facilitator can obtain as much information in a 2 to 4 hour workshop as it can conducting individual interviews of the same individuals over several days or weeks. Again, our goal during the FRA is to identify key areas to focus our audit efforts. Listed below are some basic steps to guide you through this process:

- Confirm Objectives/Inherent Risks:
 - Review with FRA participants, the objectives and inherent risks identified in pre-assessment planning.

- Measure and Prioritize the Risks:
 - Determine both the significance and likelihood of each risk.
 - Prioritize risks in order to devote audit resources according to the relative importance of the risks to program objectives.
 - In general, higher risks require stronger control procedures.
- Identify Activities Used to Manage the Risks:
 - Concentrate on identifying activities that relate to the higher risk issues and to determine risks where controls need to be developed or strengthened.
 - For each risk identified, the FRA participants determine whether there is a related control or other management activity to mitigate the risk. Again, more effort should be spent on identifying and documenting activities for high and medium risks. Using the example format for documenting the detailed risk assessment, control procedures/activities can be listed next to each risk:

Risk		Importance of Risk (Scale of 1 to 5)			Control Activities to Address Risk	Evaluation of Control and Impact on Audit
PROCESS	Program Objective	Severity	Likelihood	Overall		
		Risk:				
		Risk:				

With the results of the FRA, the auditor is now able to analyze the information and determine what level of impact the assessment will have on the remainder of the audit. That is, where audit efforts will be focused. In step six of the model, the auditor reviews the results and determines whether the activities appear to adequately address the risk, whether they are weak, or whether they are missing. For an audit to be effective and efficient, audit tests should concentrate on the higher risk areas. Lower risk areas may be omitted from testing or, at least, tested last.

The last step in this process I discuss here, is step seven – writing the audit plan. At this point in the planning phase, the significant risks of the program should be clear. The audit objectives and related risks faced by the activity in its efforts to meet its established goals have been linked. At this point, the next obvious step is to develop the scope and methodology to achieve those audit objectives.

Facilitated Risk Assessment is only one way to approach an audit. It may not work in every situation or in every organization. The individual skills of the auditor and the audit environment in which you operate must be considered. Facilitation skills of the auditor and an environment that promotes collaborative problem solving are key. FRA is simply another approach to planning your audit and focusing your efforts on areas key to your organizations' operational success – and, one that I thought was worth sharing. There are dozens of Internet articles relating to the risk-based auditing and the shift in auditing paradigm that I've come across, which are basically the foundation for this model. They're all a quick read and well worth it. Check out this site -- *Mc2 Management Consulting* at <http://www.mc2consulting.com/riskpage.htm>

"Change is the nature of life, and its hope."

■ Gore Vidal

An excellent grasp of reality.

From Bill Gates' Book - [Business at the Speed of Thought : Succeeding in the Digital Economy](#)

For high school and college graduates, here is a list of 11 things they did not learn in school. In his book, Bill Gates talks about how feel-good, politically-correct teachings created a full generation of kids with no concept of reality and how this concept set them up for failure in the real world. You may want to share this list with someone you know.

RULE 1 - Life is not fair; get used to it.

RULE 2 - The world won't care about your self-esteem. The world will expect you to accomplish something BEFORE you feel good about yourself.

RULE 3 - You will NOT make 40 thousand dollars a year right out of high school. You won't be a vice president with a car phone, until you earn both.

RULE 4 - If you think your teacher is tough, wait till you get a boss. He doesn't have tenure.

RULE 5 - Flipping burgers is not beneath your dignity. Your grandparents had a different word for burger flipping; they called it opportunity.

RULE 6 - If you mess up, it's not your parents' fault, so don't whine about your mistakes, learn from them.

RULE 7 - Before you were born, your parents weren't as boring as they are now. They got that way from paying your bills, cleaning your clothes and listening to you talk about how cool you

are. So before you save the rain forest from the parasites of your parents' generation, try "delousing" the closet in your own room.

RULE 8 - Your school may have done away with winners and losers, but life has not. In some schools they have abolished failing grades; they'll give you as many times as you want to get the right answer. This doesn't bear the slightest resemblance to ANYTHING in real life.

RULE 9 - Life is not divided into semesters. You don't get summers off and very few employers are interested in helping you find yourself. Do that on your own time.

RULE 10 - Television is NOT real life. In real life people actually have to leave the coffee shop and go to jobs.

RULE 11 - Be nice to nerds. Chances are you'll end up working for one.

"The illiterate of the 21st century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn."

Alvin Toffler

U. S. Army Corps of Engineers Internal Review Emergency Support Planning/Strategy Meeting at Fort McPherson

By Donna F. Johnson, Team Leader
HQUSACE Internal Review Team
Huntsville, Alabama

The U. S. Army Corps of Engineers (Corps) has a significant role in emergency and disaster response and recovery operations for both natural and national disasters. Emergency preparedness and response is primarily a state and local responsibility. However, in instances when the nature of the disaster exceeds the capabilities of state and local interests, assistance can be requested from the federal government. The Federal Emergency Management Agency (FEMA) is the activity responsible for implementing and managing Federal disaster assistance as outlined in the Federal Response Plan (FRP). Under the FRP the Corps is designated as the primary agency for Emergency Support Function No. 3 – Public Works and Engineering. Our mission is to provide technical advice and evaluation; engineering services; contracting for construction management, inspection, and emergency repair of water and wastewater treatment

facilities; and potable water and ice, emergency power, and real estate support to assist States in lifesaving and life-protecting needs, damage mitigation, and recovery activities.

The Corps' Internal Review Office has taken an increasingly larger role in providing support to mission commanders during disaster recovery operations (primarily hurricanes such as Andrew, Fran, and George, but also during the Kuwait recovery operations). These commanders all praised our support and stated that our presence was an extremely valuable contribution to response and recovery operations. As a result, the Corps established an Internal Review/Audit Planning Response Team (PRT) that will be deployed to disaster areas and will work for the mission commander during future emergency situations. However, the pool of internal review resources within the Corps is not sufficient to provide the required assistance. Therefore, the Corps' Chief Auditor (**Mr. John Templeton**) has coordinated with the Defense Contract Audit Agency (DCAA) and the U. S. Army Reserve Command (USARC) to identify and train volunteers who will assist the Corps in providing this very necessary internal review support. The tour of duty for PRT members range between 30 – 45 days, 7 days a week, twelve hours a day.

On 1 June 2000 (coincidentally the official beginning of the Year 2000 hurricane season), the Corps – in coordination with the U. S. Army Reserve Command - hosted a hurricane planning/strategy meeting at Fort McPherson in Atlanta, Georgia. The primary purposes of this meeting were to introduce the PRT members to each other, discuss logistics, and develop a plan of operations.

Presentations were made by representatives from the Corps, the U. S. Army Criminal Investigation Command (Fraud Investigations), DCAA, FEMA (Audit and Inspector General), and the USARC. The majority of speakers focused primarily on presenting lessons learned from previous disaster recovery operations and fraud indicators. Also discussed were the details for the Corps' new contracting initiatives for the acquisition of water and ice, and the removal of debris; the results of recent audits conducted by the Corps/FEMA and DCAA; and the administrative processes involved in activating reservists and DCAA PRT members. Mr. Templeton also discussed the types of reviews the PRT will perform (combination of Troubleshooting, Quick Reaction, and Consulting Services) and working paper requirements.

Our meeting was a huge success. We all walked away with a clear understanding of the critically important services Internal Review will provide to Mission Commanders in future emergency or disaster response and recovery operations.

So, we're set for one, or possibly two, disasters this year. But, what about three disasters -- or next year? Will there be a sufficient pool of internal review resources for the Corps to draw upon in providing this much needed support? If anyone is interested in volunteering to serve on the Corps Internal Review/Audit PRT, please submit a letter (showing your supervisor's approval) to:

Commander
U. S. Army Corps of Engineers
ATTN: CEIR/Templeton
20 Massachusetts Avenue, NW
Washington, DC 20314-1000

“Don't say you don't have enough time. You have exactly the same number of hours per day that were given to Helen Keller, Pasteur, Michaelangelo, Mother Teresa, Leonardo da Vinci, Thomas Jefferson, and Albert Einstein.”

- - H. Jackson Brown

MANAGEMENT CONTROL CORNER

By

Mike Petty, Program Manager for Management Control

This will be my last article for the IR Journal for a while. In mid-July I'll be off to the Army War College for a 10-month stint as a student. Over the past six-years we've seen many changes in our Army. One of the major, and I think, positive changes has been the restructure of the management control process. We took a program that was broken and through a lot of very hard work made it into a tool that our commanders and managers are using to help them accomplish their missions. In large part, the Army's Internal Review Community made this happen.

Army Management Control Administrators Symposium - We'll be holding our session in conjunction with the IR Symposium this year. Our session is planned for August 25 at the Renaissance Scottsdale Resort (formerly called the Renaissance Cottonwood), located at 6160 North Scottsdale Road, Scottsdale, AZ. Our attendance is limited to 100. Each MACOM and Field Operating Agency can bring up to 4 attendees and each HQDA staff agency can bring up to 3. Their nominations are due to us by July 10, 2000.

We are also running the USDA MCA Course on August 23-24, 2000, in conjunction with our symposium. Any of your personnel that want to attend this course should contact Mr. William Turman, USDA Graduate School, (202) 314-3552 or (800)-326-7813, or e-mail: william_turman@grad.usda.gov. The cost of this two-day course is \$250.00.

Bring your summer clothing because it's hot in AZ, but remember it's a dry heat!!!!

Management Control Administrators' (MCA) Course – We've recently made some significant revisions to Army Management Control Courses taught by USDA Graduate School. Thanks to Ms. Jan Heath (FORSCOM) and Ms. Billie Youngblood (TRADOC) for taking the time to spend a day reviewing our course materials with the folks from USDA. The following is the course schedule for the MCA Course for the remainder of calendar year 2000:

ARMY MANAGEMENT CONTROL ADMINISTRATORS COURSE

COURSE DESCRIPTION: The purpose of this two-day course is to provide Army Management Control Administrators with the comprehensive training necessary for them to perform their job. This training includes developing a Management Control Plan, conducting effective management control evaluations, identifying material weaknesses and establishing plans to correct them, and preparing annual statements of assurance.

COURSE SCHEDULE/LOCATION:

July 6-7, 2000	Washington, DC
August 23-24, 2000	Scottsdale, AZ (in conjunction with the Army Management Control Training Symposium)
November 6-7, 2000	San Antonio, TX
November 8-9, 2000	Orlando, FL

TUITION: \$250.00 per student

USDA CONTACT: Mr. William Turman
(202) 314-3552 or (800) 326-7813
william_turman@grad.usda.gov

FY 2000 Annual Statement - The FY 2000 annual statement guidance is up on the web-site. As a reminder, MACOMs are to provide us with their annual statements by September 29, 2000 and the suspense for HQDA staff agencies is October 13, 2000. At the MACOM and HQDA staff level **Internal Review Offices** are required to review their principals' annual statement. You should be an active participant in its development.

Comings and Goings – As usual the Civilian Personnel Community has the last laugh. We've had to re-advertise for the backfill of my job due to "technical" issues. Mike Mowry and Bill Harris will be working the management control process through the annual statement.

In addition' we'll have another ROTC cadet this summer to help out with our Symposium.

One final thought – When things get tough and you start to lose your focus on why you work so hard for seemingly nothing, remember that we're all here to support those fine young soldiers that are ready to go into harms way without regard for their own personal safety. If we can protect just one of them by having effective management controls then we've accomplished our mission.

So long, I'll see you next June.

The art of flying is to throw yourself at the ground and miss.

- - Douglas Adams

Split Purchases Poorly Defined

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March 2000

by Nayer Mahmoud, Chief IR, USARAK

The International Merchant Purchase Authorization Card (IMPAC) is a Government-wide commercial credit card program that non-procurement personnel can use as a purchase and payment instrument for micro purchases under \$2,500. It is applicable to both appropriated and non-appropriated funds. Existing guidance stipulates that cardholders are not allowed to make individual purchases exceeding the \$2,500 micro-purchase threshold. Single purchases over \$2,500 must be competed. Unfortunately, the guidance contained in the Federal Acquisition Regulation (FAR) and the Army Federal Acquisition Regulation (AFAR) is very limited and extremely vague. Guidance developed at the installation level from the FAR and AFAR has resulted in different interpretations of what constitutes a split purchase and many cardholders are misinformed or ignorant of the potential repercussions (e.g., pecuniary liability) resulting from making a split purchase.

What the FAR and AFAR need to address are the more complicated situations which go beyond the simplistic “do not make a single purchase exceeding \$2,500”. For example, some installation Agency Program Coordinators, billing officials, and cardholders truly believe that it is permissible to purchase more than \$2,500 of the same, or similar items, at the same vendor on the same day (e.g., office supplies at Office Depot) if multiple transactions, each under \$2,500 but collectively over \$2,500, are being purchased by the cardholder for different sections, activities, or exercises. Contracting officials usually recognize this type of situation as a split purchase, but existing guidance does not adequately address the segregating versus aggregating issue. Also, some officials manipulate the system by sending two or more cardholders to the same vendor on the same day to make a purchase over the \$2,500 threshold, but not exceeding their combined “single purchase” limits. Again, this type of situation is not specifically mentioned in the FAR and AFAR. Further, a single cardholder may go to the same vendor on succeeding days, spending less than \$2,500 each day, but ultimately spending more than the micro-purchase threshold allows even though the total requirement was known and funded before the first day’s purchase was made.

Leaving it up to the individual agencies throughout the federal government and the many commands within the Army and DOD to develop their own, more specific criteria as to what constitutes a split purchase has resulted in different interpretations of the FAR, conflicting guidance, and bad business practices (e.g., avoiding competition). Well-meaning cardholders are making honest mistakes and devious cardholders are knowingly making inappropriate transactions simply because it is convenient and there is no prohibition against it. More definitive guidance should be developed above the installation level which clearly tells cardholders what they should *NOT* do to avoid making a split purchase.

"Start every day off with a smile and get it over with."

-- W. C. Fields

Audits of the Chaplains' Fund

by Mr. Al Dordan, Auditor, USARAK

If your next audit engagement is of the Chaplains' Fund make certain your first stop for background information is the US Army Publications website and the selection of Department of the Army Pamphlet, 165-18, Chaplaincy Resources Management.

The Army recently published Department of the Army Pamphlet 165-18. This DA Pamphlet is new as of 21 January 2000. It provides detailed procedures and guidance for executing the policy for chaplain resource management. In other words, if you want to know how to run the Chaplains' Fund, read and understand DA Pam 165-18. This DA Pam gives you the who, what, when, where, why and how of operating a Chaplains' Fund. It is 241 pages long so make certain your "find" key on your Adobe software is working!

" I can't imagine a person becoming a success who doesn't give this game of life everything he's / she's got. "

-- Walter Cronkite

IR Roundup

Awards –

- **Ms. Evelyn Wong-Herrmann, HQ USAREUR IRACO**, was recently awarded the Commander's Award for Civilian Service. MG Patricia P. Hickerson, the HQ USAREUR Deputy Chief of Staff, Personnel, presented the award for Evelyn's exceptional performance and dedication in her audit of the command's Alcohol and Drug Abuse Prevention and Control Program (ADAPCP). She immediately identified problem areas and recommended tangible and effective solutions. Her analytical abilities contributed toward the ADAPCP receiving program accreditation from the Joint Commission for Accreditation of Health Care Organizations.
- On June 1 **COL Daniel Perugini**, Commander, **Womack Army Medical Center** and **Mr. Rohm Thompson**, Chief, Internal Review and Audit Compliance Office, **U.S. Army Medical Command** presented the Army Medical Department Auditor of the Year Award to **Ms. Ethelyn (Dirl) Temple**, Chief of Internal Review at the Medical Center. Congratulations, Dirl!
- **Messrs. Mike Kreger, Jeff McMullen, Tom Sievers, and Lou Woychick HQ USAREUR IRACO** received Special Act Awards for their outstanding audit work and contributions to the Task Force Falcon Audit Cell, KFOR.
- **Ms. Lori A. Anderson-Doby, National Guard Bureau (NGB)** Training Coordinator for Internal Review received the Minuteman Award for her outstanding support and service to the Guard during the period September 1998-1999. This significant accomplishment reflects great credit upon herself, the National Guard Bureau and the entire National Guard Internal Review Program.

- The following **HQ USAREUR IRACO** personnel were presented certificates and pins recognizing their length of service:

Mr. James Dotson	25 Years of Service
Mr. Frank Loeb	20 Years of Service
Mr. Greg Procopi	25 Years of Service
Mr. Bill Whanger	30 Years of Service

- **Mr. Joseph Galanthay, CECOM**, was nominated for the HQ, Army Materiel Command Auditor of the Year. Although Mr. Galanthay did not win this award, he was the winner of the Department of Army Civilian Individual Award for Auditing, Below Major Command. The Honorable Helen T. McCoy, Assistant Secretary of the Army for Financial Management and Comptroller, recognized Mr. Galanthay at the American Society of Military Comptrollers (ASMC) National PDI on 31 May 2000, in Philadelphia, Pa. Mr. Galanthay will receive the official award at a presentation later this year at Ft. Monmouth, New Jersey. Mr. Galanthay was also this years recipient of the ASMC-Jersey Devil Chapter, Award for Outstanding Performance in Auditing. Congratulations Joe for your outstanding contribution to the auditing community.

- **Mr. Dominic D'Orazio, CECOM**, received a certificate from the CECOM Commander in recognition of not taking any sick leave during FY 1999. This is the fifth straight year Mr. D'Orazio has received this certificate.

- **Mr. Joseph Galanthay, Mr. Dominic D'Orazio and Ms. Christine Linthicum, CECOM**, all received Performance Awards in conjunction with their annual appraisals.

- **Mr. Louis DiLauro, HQ OSC (PROV)** received an HQDA Commander's coin from the OSC Y2K Program Manager. The coin was one of 23 received for HQ OSC and its installations and was presented for Lou's multi-year Y2K assistance to the command's Y2K effort.

- **Mr. Ken Walker, HQ, SBCCOM IRAC**, was awarded a 35-year pin and certificate in recognition of his government service. He also received a two-star coin from the SBCCOM Commander, MG Doesburg, and a cash award for his assistance with the successful completion of Y2K efforts for the command.

Promotions –

- **Ms. Evelyn Wong-Herrmann** has been performing the duties of the Deputy Chief, IRACO, **HQ USAREUR, Heidelberg, Germany**, for many months. We are proud to announce that she was selected for promotion to GS-14 effective 23 April 2000. Her tenacity, decorum under pressure, and ability to multi-task has inspired and energized the entire staff to a new level of excellence. CONGRATULATIONS EVELYN!!

- **Mr. Sal Gambone**, auditor with the **NGB** Internal Review Directorate was promoted to the GS-13 level on 7 May 2000. Congratulations Sal!
- **Mr. James T. Dotson** has been promoted to GS-13, Supervisory Auditor, Internal Review and Audit Compliance Office, **HQ USAREUR/7A**, Heidelberg, Germany, effective 2 Jul 00. Congratulations James!

Hail/Farewell –

- **Mr. Lou Woychick, HQ USAREUR IRACO**, accepted a position at Headquarters, V Corps, Heidelberg, Germany effective 4 June 2000. However, he agreed to stay an additional week to complete his audit assignment. His dedication and camaraderie will be dearly missed. We wish him much luck and success in his new position.
- **Mr. Greg Procopi, HQ USAREUR IRACO**, has decided to exercise reemployment rights and return to TRADOC on 6 July 2000. During his four years stay he greatly contributed to the IR vision and command preparedness. When his office was tasked to provide audit support to Task Force Falcon, at KFOR, Greg implemented the audit cell concept and coordinated necessary resources for our deployed auditors. Greg's diligence and willingness to share "lessons learned" increased his fellow auditors creature comforts and insured audit completion in a timely manner. Filling the void left by Greg will be a difficult task. We wish him much luck and success back home in Virginia.
- **Mr. Donald Ripp** has been named the new chief, IR at **USARSO**, Fort Buchanan. Donald was (until 2 July, is) an audit manager with USAAA in the Hawaii field office. He also just completed the Army War College.
- **Ms. Greta Clark**, formerly with the U.S. Army Audit Agency, has joined the MEDCOM IR family as a GS-13 auditor at the **U.S. Army Center for Health Promotion and Preventive Medicine**. Welcome to the Internal Review family, Greta, and congratulations on the promotion!
- The **National Guard Bureau** Internal Review Directorate welcomes **Mr. Duane Griffith**, GS-13, who arrived on 24 April 2000 from the Deputy Chief of Staff, Intelligence. On 22 May 2000, **Ms. Tammy Royster** and **Mr. Yves Mayard**, GS-13s also joined the NGB-IR staff as auditors. They came from AAA and USAREUR IR, respectively.
- **Mr. Ronald “Jay” Spencer**- Auditor for **NGB** Internal Review Directorate accepted a new position in Acquisition Logistics. Jay will report to his new assignment on 1 July 2000. He will be greatly missed.

- **Ms. Francine Buie** - Supervisory Auditor for the **Washington, D.C. National Guard** accepted a new position. Francine reported to her new job in April 2000. She is greatly missed.
- **Fort Drum** Internal Review welcomes **Mr. John Kendrew** onboard as it's new auditor. John is not new to the audit business. As some of you may know, John was Chief, IR, Ft. Drum from 1985 to 1988. He is coming to us from the Installation Business Office (RM) where he headed up the ABC Program.
- **Mr. Gary Dissette**, Chief, IRAC **Crane Army Ammunition Activity**, will have a new work address in a city known for its spas and lush and well-manicured parks and gardens – Wiesbaden, Germany. Gary will join the Army's Corps of Engineers, Europe District on 17 Jul 2000.
- **LTC Phillip Bowen**, Chief Internal Review **90th RSC**, has been selected for promotion to Colonel. He will be leaving the position to take a position with the EPLO in Denton, TX. We wish him the best in the future.
- New additions: **MAJ Alan Johnson** and **CPT Rusty Bianca** have joined the TPU staff of the **90th RSC**. We welcome them!

Personals –

- **Mr. William J. Hemberger** is now back to performing his regular duties as Chief, IRAC, **CECOM**. As you may or may not know, Bill was the Co-Chairman of the ASMC National PDI 2000 held in Philadelphia, PA, from 30 May-2 June 2000. This year's PDI was a great success as 3,712 individuals registered for the PDI. This was the first PDI to go paperless, as the majority of the presentations were put on a CD that all attendees received to take home with them. Although the PDI was a total success, it was not without fun. Bill and his committees did an outstanding job providing entertainment for all those who attended. With the theme "The Streets of Philadelphia," music ran the gambit from the nationally renowned Mummens Band to the sensational singing group called the Party Dolls. If music was not your thing, there were plenty of historic sites to be seen as well as Philly style ethnic food to be eaten. And who said auditors could not put on a good show.
- Three members of the **CECOM** IRAC family will have their siblings graduate from high school in June 2000. Matt, son of **Mr. Bill Hemberger**, Chief, IRAC; Jennifer, daughter of **Mr. Dennis Boreen**; and Joe, son of **Mr. Dominic D'Orazio**, will all graduate. Matt Hemberger will be attending LaSalle University (Philadelphia, PA); Jennifer Boreen will be attending Oakland University (Oakland, MI); and Joe D'Orazio will be attending Monmouth University (West Long Branch, NJ). Although this is the first go-around for Dennis and Dominic, it is old hat for Bill. Matt is the fourth in a line of Hembergers to attend college, with one more to go.

Vacancies –

- **Headquarters, U.S. Army, Europe and Seventh Army (HQ USAREUR/7A)**

IRACO is currently recruiting for three (3) GS-0511-12 auditors. Promotion candidates should apply through the ACCES program. Candidates who are interested in a lateral transfer may apply directly to IRACO. Candidates should forward their appropriate SF-171, or DA Form 2302, along with a copy of their most recent SF-50, and Senior System Evaluation Report to:

HQ USAREUR/7A
IRACO; ATTN: AEAGX-IA (Mr. Whanger)
Unit 29351
APO AE 09014

For additional information, please contact Bill Whanger via E-mail (whanger@cmdgrp.hqusareur.army.mil), or Evelyn Wong-Herrmann via email (herrmann@cmdgrp.hqusareur.army.mil).

- HQ, FORSCOM is recruiting for a GS-12 staff auditor. The incumbent will perform audits as a team member or individually. Audit assignments and complexity range from multi location audits throughout the command to special projects requested by the headquarters staff. The work is challenging and rewarding. If you have any questions, email Dennis Joe at joedennis@forscom.army.mil.

“During the summer, Dad should be in charge of the cooking, because only Dad, being a male of the masculine gender, has the mechanical “know-how” to operate a piece of technology as complex as a barbeque grill. To be truly traditional, the grill should be constructed of the following materials:

- *04 percent “rust-resistant” steel*
- *58 percent rust*
- *23 percent hardened black grill scunge from food cooked as far back as 1987 (the scunge should never be scraped off, because it is what is actually holding the grill together);*
- *15 percent spiders.”*

- - Dave Barry

Virtual Workpapers

Submitted by Mr. Frank Porter, HQAMC IRAC.

Can auditing, a paper intensive activity, reduce paper usage by 90-percent? Yes, it can! Internal Review Offices can establish a fully functioning paperless audit program with a minimum of expense. Using off-the-shelf word processing and spreadsheet applications, Internal Review Offices can produce a complete set of virtual workpapers. With inexpensive scanners, A CD-RW drive, and available software, Internal Review Offices can convert hard copy source documents to digitized virtual documents.

Using current word processing and spreadsheet applications, an Internal Review Office may produce a fully functioning set of virtual workpapers (with supervisory reviews), audit guides and reports. All workpapers can be indexed and cross-referenced to virtual spreadsheets, databases, source documents, audit guides and reports.

Using the table function in Microsoft (MS) Office 95, 97 or 2000, word processing applications can create a table suitable for use as a workpaper. The table contains sections for the heading, initials, date, cross-referencing, supervisory review and the body of the workpaper to include its Title, Purpose, Source, Scope, Results and Conclusion. The table gives best results with one-half inch left and right margins and settings for legal-paper size. Using the hyperlink function, cross-referencing and indexing virtual workpapers is simple. Virtual workpapers may be cross-referenced to Excel spreadsheets, scanned virtual source documents, audit guides, and resulting reports. Using an available software application incurs minimal costs and requires a short learning curve.

Typical commercial audit software programs allow use of MS Word and Excel worksheets and virtual cross-linking of workpapers and scanned documents. Commercial programs cost from \$15,000 to \$20,000 (depending on training and technical support) for small 10 to 20-user licenses. The U.S. Air Force Audit Agency developed a software package for audit workpapers – free to Government users. Unfortunately, the software has shortcomings. The software neither produces virtual cross-referenced or indexed workpapers, nor incorporates scanned source documents or digitized photographs.

To include virtual source documents in virtual workpaper sets requires a scanner and scanner management software. A scanner is required to convert hard copy source documents into digitized virtual documents. Two types of scanners are suitable for Internal Review use – the flat sheet scanner and the sheet fed scanner.

A flat sheet scanner is large and cumbersome, but can scan individual sheets and bound documents such as books. A flat sheet scanner is suitable for Internal Review Offices with audit work at one location and no travel to other installations. Flat sheet scanners cost approximately \$100.

Sheet fed scanners are small, light, and suitable for auditors who travel, but can scan only individual documents. Two suitable sheet fed scanners are the Visioneer Strobe Pro and the scanner adapter to the Canon BJC-80 printer. The Visioneer Strobe Pro is about twelve-inches long, three-inches wide and weighs 1.3 pounds. The Strobe scans in black and white and in color. A Strobe sells for \$179. The Canon BJC-80 printer is about the size of a cigar box and weighs about three pounds. A scanner cartridge can replace the ink cartridge. Results are similar to the Strobe. The BJC-80 printer sells for \$299 and the scanner cartridge for \$99. Experience with scanned documents indicates best results with a resolution setting between 300 and 600 dpi.

Compliance Section auditors can scan hard copy external audit agency audit reports and email electronic copies to the required recipients – significantly decreasing response time and saving photocopying. Scanning requires the right management software.

Software supplied with scanners is usually less than fully capable, a light version, and requires supplementation with a full version of a scanner application such as Scan Soft's PaperPort Version 6.1. PaperPort sells for \$49. Scanning documents produces large graphic files. PaperPort can save documents in Adobe Acrobat (*.pdf) format – significantly reducing file size.

Adobe Acrobat Writer Version 4.05 is necessary for working with source documents in virtual mode. Adobe Acrobat Writer permits annotations and footnotes on scanned source documents – just as on hard copy documents. Adobe Acrobat Writer sells for \$249 for individual use or \$531 for a 10-user license. To reduce costs, Internal Review Offices should contact their Corporate Information Offices and request any open Adobe Acrobat Writer licenses. Virtual workpaper files are best stored on a compact disk.

A CD-Rewritable (CD-RW) external drive is required to move and store files. An external drive is required to move data from laptops to office PCs. The CD-RW drive should have PC Card (formerly called PCMCIA) and serial connections. A PC Card allows the best connection with laptops. Serial connection works best with PCs. A CD-RW external drive costs about \$334.

After most audit work is completed, the auditor can transfer files on a laptop hard disk to a re-writable CD (CD-RW). On the CD-RW, auditors may deliver workpapers for supervisory review and comment. After a supervisory review, the auditor may add a final cross-referenced report. (During transfers from a computer hard disk to different CDs, workpapers, reports and audit guides will maintain their hyperlinked relationships.) After final audit work, the auditor can move the folder to a recordable CD (CD-R). Files stored on a CD-R cannot be changed or deleted – an excellent security consideration. Finally, a CD labeler with software (\$25) to attach an identifying label to the CD completes necessary software and hardware requirements.

For a demonstration of a functioning set of virtual workpapers go to website www.amc.army.mil/amc/irac/paperless/index.htm and download the file titled “demo”.

"A synonym is a word you use when you can't spell the word you first thought of."

-- Burt Bacharach

Internal Auditing in the Private Sector

By George Brothers and Ron Korda, FORSCOM Internal Review

After attending the Super Strategies Conference presented by MIS Training Institute in Atlanta, Georgia April 25-28, 2000, we want to share our great experience with the IR community. We completed the conference training knowing that we, as Army internal auditors, are doing all the “right things” in our desire to be management partners—involved in organizational decision making--rather than just fiscal policemen.

This was the eleventh annual conference presented by MIS and targeted the private sector internal audit community. While the conference agenda offered a variety of subjects, a common theme of changing professional images (as well as operational concepts) was clearly woven into all sessions. Specifically, today’s internal auditor must be more than guardian of cooperate policy (who historically dealt only with compliance issues) to survive and grow with changing business strategies. Now the internal auditor is a strategic business partner, part of the solution, and is perceived by the organization as a player. The conference continually stressed the following attributes necessary for success as an internal auditor.

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- Must be flexible and able to change direction at a moment's notice. A visionary, the internal auditor knows the direction of the organization and understands the strategic plan while integrating audit assistance to achieve that plan.
- Must market proactive audit services to the organization and constantly network to positively position the audit function.
- Must try unorthodox, nontraditional things, and take unpopular stands. Positions internal audit on the front end of initiatives. Feels the pulse of the organization.
- Must be an image builder who continuously communicates successes and thinks like the organization. The auditor knows where strategic decisions are made and has access to organizational strategic thoughts.

During the four-day conference, we attended approximately 30 different sessions that covered a myriad of topics. Although we found all sessions extremely beneficial, we particularly enjoyed these:

- Using third party software to enhance audit management productivity.
- Becoming your organization's consultant of choice.
- Implementing audit efficiency: planning more and testing less.
- Developing a risk-based approach to information technology auditing.
- Conducting effective fraud interviews.
- Using the Internet to improve audit productivity.
- Reengineering internal audit in the public sector.

Additionally, we attended a full day's workshop entitled "Maximizing the Benefits of Process Flow Auditing". This workshop keyed on the interrelationships and dependencies that exist within any organization. Using a risk-base approach, the workshop illustrated how internal auditors review individual processes concentrating on improving effectiveness and efficiency. Effecting positive changes to individual processes benefit the organization's overall health and performance. The workshop emphasized a proactive approach to internal auditing; thus, furnishing management with clear and measurable information needed for management decisions.

The conference also afforded us an opportunity to exchange ideas and experiences with internal auditors and consultants employed by various commercial industries (including banking, health care, manufacturing, service, and education) and government entities. More than 450 attendees (only 31 of these were affiliated with the government) brought to the conference and willing shared a wealth of expertise and experience.

The twelfth annual Super Strategies Conference is scheduled to convene in Boston 22-26 April 2001. We highly recommend attending this conference for the training and to learn first hand what our private sector counterparts are doing. We're certain that you too will come away, as we did, with the realization that we—as Army internal auditors—are similar to and universally share comparable experiences. Information concerning the twelfth annual conference can be found on MIS Training Institute web site at: www.misti.com.

"When I examine myself and my methods of thought, I come to the conclusion that the gift of fantasy has meant more to me than my talent for absorbing positive knowledge."

- - Albert Einstein

TDY Audit

by Valerie Word-Thompson, IRACO, Ft. Richardson, AK

The regulations AR 600-8-105, Military Orders, and DOD Financial Management Regulation, Vol. 9 chap 2, Jul 1998, were implemented to assist individuals on the proper procedures for filling out TDY travel orders and reimbursements. These regulations are not self explanatory or easily accessible. Therefore, most individuals aren't aware of them and are being misinformed by their peers about the procedures on completing TDY orders. Inadequate TDY orders are just one of the discrepancies mostly mentioned when an audit is warranted. An important factor in the career of a Federal employee, active duty or civilian is filing accurate TDY orders and the above regulations or a brief comprehensible memo should be operative to all that need to submit TDY orders.

"No person can be a great leader unless he takes genuine joy in the successes of those under him."

- - W. A. Nance

Agency's Errors Boost Travel Costs

by Mr. Obie Cherilus, Auditor, HQ AMC

A recent article in the March-April 2000 issue of Audit Wire of the Institute of Internal Auditors explained that travel costs are on the rise and currently account for 7% of global corporations' total operation costs. The article further referred to a related study by TOPAZ International, an airline auditing company, which concluded that as travel costs increase, so too do the risks to companies that engage in business travel.

Causes presented for the increase in travel costs are as follows:

a. Domestic Travel: Failure to offer negotiated airfare; failure to offer an alternative airport; failure to identify an alternative route; and airline selection.

b. International Travel: Failure to split tickets appropriately. Since the tax on international flight with a connecting domestic flight will vary depending on whether travel agents issue the tickets separately or as one.

Solution to reduce travel costs: Develop a written travel policy. One that is not stored in an employee manual or on a shelf. But, a travel policy that is communicated to employees using all available means, i.e., the company intranet, internal training, newsletters, etc.

The article was careful to note that even a well-communicated travel policy would not prevent all risks and unnecessary expenses. As a recent survey conducted by Carlson Wagonlit Travel claims that 27% of travel bookers will deviate from an existing company travel policy to obtain frequent-flier benefits – and 66% of associates belong to frequent-flier programs.

“The only fool bigger than the person who knows it all is the person who argues with him.”
 - - Stanislaw Jerszy Lec (1909-)

How to Send an E-mail Message

Submitted by D'orazio, Dominic A CECOM IRAC

I received this message today from a friend. It really is an important message for me to forward on because I have noticed that many of my friends send me things that they have received from other friends. While it seems easy to just click forward and put our friend's names in the TO field of our email program's address box, it really is a dangerous thing to do. This story illustrates just how dangerous it can be. Please read it. (I am placing these instructions before the story so that you will know how to forward your email in the future.)

Before you forward a message to someone, please do the following: (NOT HARD TO DO)

1. REMOVE all email addresses that were forwarded or sent to you on the message. Use the delete key, or the editing functions on your email program after you hit the Forward key.
2. DO NOT use the TO field to send the mail on. USE the BCC field. This means "Blind Carbon Copy". It will list only the name of each individual receiver on the email. NOBODY ELSE'S email address will be shown. (TO USE BCC: Simply click BCC instead of TO. It works just the same. If you add names from your address book, just add them to the BCC field instead of the TO field.)

As an added bonus of using this feature, your email message won't have all those addresses at the beginning. No one will have to scroll through the addresses to get to the message that you have sent. Please take the time to read this. It could prove to be very important.

The following individual asked not to be identified, but she asked that this letter be forwarded to anyone who does not bcc (blind carbon copy) online... and to spread the word. Please read this; it is not a joke.

Late one evening, while online, I received an IM (Internet message) from a gentleman who said he knew me through mutual pals online. We chatted for an hour or so before deciding

to keep in touch, as we had so many things in common. I eventually, after a week or so of knowing him, trusted him with my name (first name) and phone number; after all, he knew my friends and I felt he must have been ok if they all liked and knew him. He knew a lot about them, he knew a lot about me, and he knew a lot about a lot! He seemed like such a nice person, a pleasant person, and someone whom I felt very comfortable sharing my time online (and on the phone) with.

One night, a friend from our group of friends invited me to a chat room where several of the friends had gathered and were chatting when this gentleman popped into the chat room. He popped in and then left quickly. Then, for the first time since I met and started chatting with him, I mentioned him to one of the friends who was in the chat room, one whom this gentleman claimed association with. She was in total awe, she did not know who he was! Things were beginning to look really suspicious. The more she and I chatted, the more suspicious it became. It also became apparent that this guy knew none of us. Suddenly, he disappeared offline for a few days...then one day he pops back in and sends me an IM saying that we need to talk. He called me at my home and I was very upset, so I asked him how he really found me and why he felt the need to lie in the first place.

This is where you all need to pay attention: He told me that he spotted my screen name on a forward that one of my friends sent to someone else. My screen name is what attracted him. He then used the screen name of others on the list of forwards to acquaint himself with me and various others from our clique of friends. He also used the member directory (at AOL) to look up info about others on the list of forwards, so not to look suspicious. He said he felt it was the only way he would have the chance to get to know me, and the main attraction to me was "My Screen name" because he thought it was "sexy!"

I was upset, needless to say, as I had trusted this man with my personal info... such as phone number and name. He also knew where I lived (thanks to the phone bill) and I was now his prey!

A few days after having last talked to this person and thinking that was the last of him, I received a phone call at 4:00 a.m., it was this man telling me he was in town to see a friend who lived 20 minutes from my house, and wanted to know if I would like to meet him for coffee or breakfast. When I told him it was not such a good idea, he became irate and hung up on me. I immediately called him back (caller ID) and explained to him that my husband was back home (trying to scare him) and please not be so mad (in fear of him and what he might do). Telling him that my husband had returned and we were reconciling was a lie, and I told him this to make him think I was not alone! Imagine the feeling I felt in the pit of my stomach when he came back with the following response "You're a lying b---h, your husband is not there with you...you are alone!"

I hung up on him and immediately called the Broward County Sheriff's office and told them what had happened. They sent an officer over to take a report and said that was really all they could do for me at that time. So, I packed a few belongings into my car, and drove to my sister's home for the night.

Fifteen or twenty minutes after I arrived at her home, I received a phone call from this man again! He knew I called the Sheriff and reported him, he knew where I was and he knew my sister and her husband's names!

People, let me tell you something, this man had been stalking me for weeks and I had no idea! I walked, ate, slept and breathed in constant fear until he was finally arrested for stalking! Not for stalking me! Nope! For stalking another lady who lived in Kendall, FL.

I wanted to share this with you all. And yes, it is all true. Friends, when you forward things and you leave your friends names out in plain view like that, you are putting THEM and YOURSELF in what could be grave danger. I hope I have gotten this message across; as I have not even begun to mention his assault (rape, using deadly force) charges the detectives from Broward County and Kendall, FL uncovered on him while investigating his prior history!

People, please! Be safe, be careful and BLIND CARBON COPY(BCC)! This is NOT a joke and NOT a hoax. PLEASE REMEMBER: It is important to *remove ALL personal email when forwarding items from this, or any other list to individuals or other discussion groups (unless the message asks readers to contact them via email or phone). Remember, a lot of us have a great deal of information in our sig's (signature files that appear at the bottom of many of our messages).

In addition, the blind carbon copy (Bcc) option makes the individuals you send email to unseen by all other recipients E-mailers should also cut out email addresses from forwards when forwarding the message on. I know I have received unsolicited e-mails from individuals who have gotten my address via a forwarded message from this group.

Although more annoying than serious, it could have been worse. You go and have yourself a great day today.

“This report, by its very length, defends itself against the risk of being read.”

- - Winston Churchill (1874-1965)

The Next Edition of *The IR Journal*

Our next edition of *The IR Journal* will be published during September 2000. Articles and information for the September edition should be received on or before 10 September 2000. Input should be forwarded via e-mail whenever possible. Also, please use New Times Roman, 12 pt text.

The IR Journal

is an unofficial newsletter for the Army Internal Review community published by the Office of the Deputy Assistant Secretary of the Army (Financial Operations). Its objective is to keep readers informed of issues that may affect or have affected the Army's Internal Review Program, the internal audit profession or auditing in the Federal government. *The IR Journal* will not be used to announce new or revised Army policy. It will however, often discuss new or changed policies subsequent to official announcement. Finally it will seek to entertain its readers.

The editorial staff would like to hear your comments or ideas on improving *The IR Journal*. We would also ask you to submit articles, questions, good news, lessons learned, innovative audit techniques employed, recommendations for training, or letters to the editor.

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Please feel free to contact our editorial staff, **Bob Barnhart** and **Michelle Doyle**, at any time. They can be reached at DSN 225-2909, COMM (703) 695-2909/7693; FAX - DSN 223-1028, COMM (703) 693-1028; or e-mail BARNHRW@hqda.army.mil or DOYLEM@hqda.army.mil. *The IR Journal* is available and downloadable from the Internal Review Homepage at <http://www.asafm.army.mil> - (click on Internal Review).